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## **Uzbekistan - Republic of**

## **Cotton and Products Annual**

## **Uzbekistan Cotton Annual 2012**

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**Report Highlights:**

The production forecast for Uzbekistan MY 2011/12 cotton lint production decreased to 4.6 million bales and the export forecast increased to 3.25 million bales. The government's official targets for MY2012/13 planted area and seed cotton production are reportedly set at 1.28 million ha and 3.35 MMT, respectively.

## **Executive Summary:**

Uzbekistan's MY2011/12 final lint production estimate decreased to 4.6 million bales. Lint exports for MY2011/12 are estimated at 3.25 million bales. MY2012/13 mass cotton sowing is expected to start as usual in the beginning of April and continue through the end of the month, assuming favorable weather conditions. State targets for MY2012/13 planted area and seed cotton production decreased to 1.28 million hectares and 3.35 MMT, respectively.

Despite the global economic crisis and drop in world cotton consumption over last 3 years, local mills continue efforts to increase their capacities. Domestic consumption is estimated at 1.37 million bales in MY2011/12 and is forecast to increase to 1.4 million bales in MY2012/13.

The government of Uzbekistan still maintains tight control over all aspects of cotton production, including plantation area, production targets, prices, inputs, procurement and marketing. Despite government efforts to modernize in recent years, Uzbekistan's cotton ginning industry still consists of predominantly older gins, however due to improving profitability, spinning and weaving industries have invested heavily in new equipment and renovations of existing equipment in recent years. Both domestic and export demand, particularly for cotton yarn, has marginally increased in the past 3-4 years. The textile mills are trying to pursue quality improvements and production diversification to include more value-added products, rather than continuing with low-value yarn based exports. Most mills now understand that they need to be extremely competitive in order to remain active in the shrinking global market.

Currently, there are more than 45 joint ventures established in the textile industry with partners from Turkey, Germany, South Korea, Japan and Switzerland. As of 2011, foreign investments in the textile industry exceeded USD 1.2 billion. The main products produced and exported by textile mills are cotton yarn, gray fabrics and some textile garments.

As in the past few years, China, Bangladesh and Russia are still the major buyers.

## **Production:**

In MY2011/12 problems with irrigation water supply, especially in northern and some southern regions, created certain problems for growers during the vegetation period. Nevertheless, favorable weather temperatures in late summer and early autumn allowed farmers to save the crop in general and start the harvest at the usual time. As of today, MY2011/12 lint production is forecast at 4.6 million bales.

As for the MY2012/13 cotton crop, based on this winter's precipitations level which was almost 2 times more than normal rates, preliminarily prospects look favorable for improved irrigation availability. Of course, much will depend also on the spring weather conditions, especially during sowing and vegetation. This year, cotton sowing is projected to start as usual in the beginning of April and continue through the end of the month if weather conditions allow. The MY2012/13 state target for planted area has been decreased to 1.28 million hectares, because reportedly the GOU decided to switch about 30,000 ha of land from cotton to vegetable and fruit production in several districts of the Republic.

Accordingly, MY2012/13 lint production is preliminarily forecast at 4.7 million bales.

For MY2012/13 farmers are reportedly ordered to plant early-ripening cotton varieties on more than 50 % of targeted planting area. These varieties are characterized by their early-ripening feature, better yields, and resistance to various common diseases (see Table 3).

### **Production Policy:**

The Government's overall cotton policy is still aimed at maintaining stable production, and improving quality and fiber characteristics. As of today all state farms have been privatized and reorganized into private farms. In spite of implementing structural reforms in the agricultural sector, the government still maintains tight control over all aspects of production including planted area, production targets, prices, inputs, procurement and marketing of nearly all of the cotton in Uzbekistan.

The local ginning industry has made some improvements in their ginning technology, and as a result ginned lint has less trash content than in the past. About 80-85 percent of all produced lint is of higher grades with strict and good middling, and the volume of lower grades has decreased. The cotton ginning industry nevertheless is one of several sectors of the country's economy where new investments are needed.

### **Consumption:**

Uzbekistan's domestic lint consumption is forecast to increase to 1.37 million bales in MY2011/12 and preliminarily forecast to reach 1.4 million bales in MY2012/13. The government has often stated that it would like Uzbekistan to process more of its cotton domestically. Less than 30 percent of all cotton is consumed domestically. Effective ginning capacity is estimated to be well below the 6.0 MMT of installed capacity due to equipment problems. Taking into account these and other production problems, the government launched a modernization and reconstruction program for some cotton gins during 2007-2011. As of today, 60 gins were fully reconstructed under this program.

There are absolutely no changes in the mechanism of cotton exports which still remain under centralized state control. All cotton lint is still sold either to the trading companies of the Ministry of Foreign Economic Relations, Investments and Trade (MFERIT) for export or allocated to the Republican Commodity exchange that organizes cotton lint sales for domestic consumers.

The spinning and weaving industries continue to invest heavily in new equipment as well as renovations of existing equipment due to improving profitability over the past few years. Domestic demand increased marginally over the last 2 years, and so did export demand, especially for cotton yarn and textile garments. The main player in this industry is "Uzbekengilsanoat", a State Joint Stock Company which unites 265 textile, sewing and knitting enterprises most of which are joint ventures. The total annual capacity of these companies is 373,000 tons of cotton yarn, 282 million square meters of cotton fabric, 82,000 tons of knitted fabric, and 168 million pieces of garments. Within the recently approved Government decree, "Uzbekengilsanoat" SJS Company plans implementation of 55 new investment projects for the amount of 1.7 billion USD, including the creation of vertically integrated textile complexes with finished outputs.

**Trade:**

According to Government's policy for the next few years exports of cotton are projected to decrease to 50 percent out of total production, which is planned to be achieved by considerably increasing domestic consumption. However, independent experts believe that this will not occur so quickly. Post forecasts MY2011/12 lint exports at 3.25 million bales. MY2012/13 exports are preliminarily forecast at the level of 3.2 million bales.

Currently a well-established local system of logistics, consisting of 21 specialized cotton terminals with a storage capacity of 410,000 tons and a good transportation infrastructure and shipment corridors facilitate timely deliveries of Uzbek cotton to buyers. Asia, with Bangladesh, China, South Korea and Russia, is still the major market for Uzbek cotton.

## Stocks:

There are no official sources of information on stocks volumes, so the numbers indicated in the report are rough estimates.

### Statistical Tables:

**Table 1. Cotton Production, Supply and Demand**

Cotton Uzbekistan	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Aug 2010		Market Year Begin: Aug 2011		Market Year Begin: Aug 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	1,340	0	330		1,285
Area Harvested	1,300	1,330	1,340	1,310		1,285
Beginning Stocks	948	948	1,148	1,188		1,168
Production	4,100	4,390	4,200	4,600		4,700
Imports	0	0	0	0		0
MY Imports from U.S.	0	0	0	0		0
Total Supply	5,048	5,338	5,348	5,788		5,868
Exports	2,650	2,900	2,700	3,250		3,200
Use	1,250	1,250	1,250	1,370		1,400
Loss	0	0	0	0		0
Total Dom. Cons.	1,250	1,250	1,250	1,370		1,400
Ending Stocks	1,148	1,188	1,398	1,168		1,268
Total Distribution	5,048	5,338	5,348	5,788		5,868

1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA

**Table 2. MY2012/13 Target seed cotton area production by regions**

<b>Regions</b>	<b>Planted area(ha)</b>	<b>State target (ton)</b>
Karakalpakstan	94,700	180000
Andijon	93,400	283000
Bukhara	109,600	342000
Djizakh	101,800	224000
Kashkadarya	160,400	417000
Navoi	35,800	100000
Namangan	82,600	240000
Samarkand	91,500	213000
Surkhondarya	119,600	335000
Syrdarya	110,700	238000
Tashkent	91,500	230000
Ferghana	100,100	290000
Khorezm	93,800	258000
Total Republic	1,285,500	3350000

**Table 3. Cotton varieties planned to be sown in MY2012/13**

<b>Variety type</b>	<b>Variety name</b>	<b>% of total plant area</b>
Early-ripening	Bukhara-102, Namangan-77, An Bayaut-2, Omad, Andijon-35, Sultan, C-4727, Dustlik-2, Beshkahramon, Andijon-36, AN-16, Ibrat	55%
Mid ripening	Bukhara-8, Bukhara-6, Khorezm-127, Mehnat, C-6541	36%
Prospective	Gulbahor, Khorezm-150, Jondor Kudrati, Namangan-34, Kupaisin	3%
New	UNDISCLOSED	6%

**\*Table 4. Textile production statistics for 2009-2011 (on calendar year basis)**

<b>Commodity</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Cotton yarn (1000 tons)	145.5	185.8	230.0
Knitwear articles (mln pcs)	33.9	50.5	68.0
Knitted fabric (tons)	11,000.2	2,1052.0	32,000.0
Hosiery (1000 pairs)	150.0	200.0	1,744.0
Cotton fabrics (mln sq meters)	82.0	83.6	120.0

\*Please note that in Table 4 some textile production numbers for 2011 are just estimates, as official statistics on all produced items are not yet available.

